



Memorandum

To : Luciana C. Profaca, Ph.D.
Chief Deputy Director

From : Lori Bruno
Acting Audit Chief
Audit Services

Date : September 30, 2008

Subject : **Audit of Fiscal Year 2004/2005 Cooperative Agreement #24532
with Irvine Unified School District**

File No. : IVB18.41-1078

Introduction

The Department of Rehabilitation (DOR) Audit Services has completed its audit of the Transition Partnership Program (TPP) Cooperative Agreement (Contract) #24532, effective July 1, 2004 through June 30, 2005, with the Irvine Unified School District (Irvine USD).

The Contract TPP services are provided through the Irvine USD Career Link Program. In Fiscal Year 2004/2005, according to its Grant List 1998-2006 Irvine provided services through seven programs with a combined total budget of \$1,099,844. The TPP Contract #24532 Service Budget total was \$398,762 and the Certified Expenditure Budget total was \$231,500. Irvine USD received contract payments from DOR totaling \$327,767, and reported certified match totaling \$220,743.

Irvine USD was contracted to provide employment and job coaching services to DOR consumers from four comprehensive high schools and two alternative high schools within the school district. The contract also included that Irvine USD would provide services as a special 100% community based program for students with significant disabilities called the Irvine Adult Transition Program (IATP). In this program, the DOR students/consumers are 19-22 years old who

are working for a Certificate of Completion. Work-based learning is the main focus of this program; DOR consumers attend an Employment Skills Development Class held on the Irvine Valley College Campus, which provides DOR consumers with an opportunity to prepare for employment in an adult setting.

The Contract services are designed to jointly serve the mutual consumers of the Department of Rehabilitation (DOR), administered through the Laguna Hills DOR Office in the San Diego District and the Cooperative Agency (Irvine USD). The Contract service goals were:

- 170 unduplicated consumers to receive Employment Services and Job Coaching (Non-Supported Employment Job Coaching), including 15 DOR consumers who will be enrolled in the TPP/Irvine Adult Transition Program;
- 40 consumers to receive at least one work experience opportunity and 30 consumers to receive two or more work experience opportunities;
- 55 consumers to receive job development/placement services and participate in paid employment;
- 55 placements to be made;
- 170 consumers to receive follow-along support.
- 40 consumers who will need varying levels job coaching services to ensure successful completion of work-site learning experiences including paid employment.

In preparing for the audit, we became aware of another DOR contract with Irvine USD for services provided in the Bridges to Youth Self-Sufficiency program. The Contract #24414 has a five year renewal option effective September 30, 2003 through September 29, 2008; it was budgeted for a total of \$279,862 through September 29, 2006. This program, sponsored by the Social Security Administration, DOR, and seven California school districts is dedicated to: (1) informing and motivating families and young people with disabilities about work and current work incentives; (2) assisting them with the transitions to work; and (3) helping them maximize their economic independence and achieve greater self-sufficiency. This contract was not included in our audit scope; we considered this contract only as it related to the allocation of expenses billed to DOR.

Scope

Audit fieldwork was conducted during May 2006 and the exit conference to discuss the tentative audit findings was held on May 19, 2006. We conducted our audit in accordance with Government Auditing Standards as defined by the Government Accountability Office, except for Standard 3.52 requiring an

external peer review. These standards require that we obtain reasonable assurance that the expenditures incurred and the services provided are supported by appropriate records; and are in compliance with the Contract, 2004/05 Contract Manual (Contract Manual), and applicable State and Federal laws and regulations including the applicable Office of Management and Budget (OMB) Circulars. The audit also included a limited review of the internal controls applicable to the Contract. Our audit is subject to the inherent risk that all significant errors and irregularities, fraud, or non-compliance will not be identified.

Our audit included examining, on a sample basis, evidence supporting the information included on the Service Invoices (Invoices), Certified Expenditure Summaries (Summaries) and consumer service reports submitted to DOR. Our audit also included a limited review of the internal controls as they relate directly to our audit of the invoices through use of an accounting system and internal control questionnaire, and interviews with Irvine USD staff. A more comprehensive review of organizational internal controls was not conducted due to our reliance on the unqualified audit report issued by Irvine USD's independent auditor. In addition, we performed a limited review of other funding received by Irvine USD from DOR to ensure that duplicate funding did not occur between funding sources; obtained an understanding of the services provided by Irvine USD; and performed a limited review of the procedures in place to document and report the services provided to DOR consumers.

Summary of Findings and Recommendations

The services provided and expenditures incurred by Irvine USD are supported by appropriate records, and are in compliance with the Contract, Contract Manual, and applicable State and Federal laws and regulations including the OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (effective June 2004), except for the issues identified below. It is important to note that the findings were caused by Irvine USD's lack of understanding and compliance with the Contract and Contract Manual terms and requirements, which resulted in inadequate contract management practices. Specific details to the findings can be found in **Appendix I – Details to Findings**.

1. Irvine USD incorrectly billed DOR for estimated retroactive pay increases that had not been paid at the time, which is not in compliance with the Contract Exhibit B.

Recommendation

Irvine USD ensure DOR is billed in the fiscal year incurred only for expenses that have been incurred and paid in compliance with the Contract Exhibit B. Where incurred expenses are not paid in full during the contract period, Irvine USD may submit a Supplemental Service Invoice (for the fiscal year incurred) to DOR to request reimbursement for the allowable expenses after the payment is issued. Further, as a preliminary step, it is suggested and appropriate for Irvine USD to estimate these potential costs and take action as appropriate, including requesting a revision or amendment as needed in compliance with the Contract and Contract Manual to ensure funds are available in the contract budget when requesting reimbursement.

2. Irvine USD did not perform the quarterly or annual reconciliation of their budgeted versus actual contract staff personnel costs in accordance with OMB A-87 and report the resulting actual costs to DOR as required by the Contract Exhibit B.

Recommendation

Irvine USD perform a reconciliation of personnel costs, at least on a quarterly basis, in accordance with OMB A-87 and report the actual costs to DOR in compliance with the Contract Exhibit B.

3. Although Irvine USD contract staff completed Personnel Activity Reports (PARs), staff did not prepare them fully in accordance with OMB A-87 and the Contract.
 - a. Some contract staff prepared PARs based on contract budget hours rather than the actual time spent on contract services each day.
 - b. Contract staff providing services and billed to DOR under two separate contract line item positions did not account for their actual time spent performing the activities/duties under each line item on their PARs.

Recommendation

Irvine USD ensure that contract staff complete the PARs in compliance with OMB A-87 and the Contract, including:

- reporting daily and total time based on actual after-the-fact activity.
- accounting for their actual time spent performing the activities/duties

applicable to each line item in order to correctly bill DOR for the corresponding personnel costs.

For guidance on how to implement this requirement, refer to the 2008/2009 Contract Manual.

4. Inconsistencies existed between the Contract Budget Narrative time base for contract line item positions and the actual time base worked by some Contract staff. The Job Coach line item positions were typically filled by hourly part-time staff who worked only on TPP program activities but the positions were budgeted based on a percentage of an employee 40 hour FTE/week.

Recommendation

Irvine USD, in consultation with the DOR Contract Administrator, consider modifying the contract narrative to reflect the most appropriate time base, either percentage of time or number of hours, taking into account the expected actual employee time base of contract staff identified for each line item position.

5. Irvine USD incorrectly billed DOR for unallowable Mileage and Travel operating expenses.
 - a. The Mileage line item included parking permits for Irvine Valley College used by job coaches, which were not included in the Contract Budget Narrative.
 - b. The Travel line item included unallowable travel expenses incurred by a non-contract staff person and travel costs that exceeded the State employee rates.
 - Meal costs were billed to the contract for a USD Irvine employee who was not funded by the contract even though the approved Contract Travel line item specified it was for travel costs for TPP program staff.
 - The TPP Program Manager submitted a Travel Expense Claim that included meal costs for both her and another employee.
 - Meal costs submitted on the Travel Expense Claim by the TPP Program Manager were incorrectly billed to DOR for costs that exceeded the State maximum reimbursement amounts or were not supported by detailed vendor receipts.
 - c. The Monthly Mileage Reports (reports) prepared by contract staff do not sufficiently support the mileage expenses billed to DOR.

Recommendation

Irvine USD thoroughly review and ensure understanding of the Contract and Contract Manual, including allowable expenses under each line item in accordance with the Contract Budget Narrative, and the policies and procedures for requesting revisions and amendments to the Contract.

Irvine USD ensure that invoices submitted to DOR only include expenses identified in the approved Contract Budget Narrative. If Irvine USD determines the addition of line items/expenses is warranted, it must submit a budget revision and/or amendment to request approval in accordance with the Contract and Contract Manual prior to incurring or billing these expenses.

Irvine USD ensure that appropriate documentation is maintained to support all expenses billed to the Contract, including appropriate travel related receipts. Further, Irvine USD ensure the Travel Expense Claim is completed by each employee and that the claim be appropriately reviewed and approved by a supervisor.

Irvine USD update its procedures to document the reason for the mileage to adequately support that it was incurred for allowable contract services, including documenting the consumers for which the mileage was incurred on the Monthly Mileage Report or alternative document. Further, Irvine USD train staff on the new procedures and monitor the Monthly Mileage Report to ensure compliance with the new procedures.

6. Although Irvine USD and District staff met quarterly to review the cumulative consumer listing of the referral, plan, and "26" successful closure data, the listing did not contain the contractor goals data to adequately monitor and track the Service Outcomes/Numbers to be Served in the Contract.

Recommendation

Irvine USD revise its system to adequately track and monitor the service outcomes/number served to ensure that the contract outcomes are achieved in compliance with the Contract. If there are any shortcomings in the Service Outcomes/Numbers to be Served, Irvine USD and the DOR Contract Administrator should review and discuss the reason(s) why and take appropriate action.

7. Irvine USD did not comply with the amendment requirements indicated in Exhibit B, Exhibit C, Exhibit D, and the Contract Manual.

Recommendation

Irvine USD comply with the Contract and Contract Manual when submitting amendments. Further, Irvine USD must not incur proposed expenses prior to receiving formal written approval from DGS. Refer to the 2008/2009 Contract Manual for specific procedures regarding amendments.

The contents of this report were discussed with Linda O'Neal, TPP Program Manager and members of her staff; Sandra Fagan, DOR Rehabilitation Supervisor; and Mary Ann Nucci, DOR Contract Administrator at the exit conference meeting. We appreciate their assistance with our audit.

The audit was conducted by John Galicinao and Desiree Sample, DOR Auditors, under the supervision of Lori Bruno, DOR Audit Supervisor.

Irvine USD Response

A preliminary draft audit report was submitted to Irvine USD for their response. Irvine USD submitted a preliminary response to the draft audit report via e-mail to Audit Services on September 9, 2008. To address the questions and comments raised in this response, Audit Services held a teleconference with Irvine USD staff to discuss the contents of the draft audit report on September 11, 2008. As a result, the draft audit report was revised to clarify the findings and recommendations to ensure accuracy and facilitate understanding of the issues identified. Irvine USD ultimately agreed with the audit findings and recommendations as discussed.

Corrective Action and DOR Follow-up

1. Irvine USD shall develop a corrective action plan which indicates the actions taken or to be taken to correct the findings identified in this report. The corrective plan must be submitted by October 31, 2008 to DOR Audit Services with a copy to the DOR Contract Administrator.
2. The DOR Contract Administrator shall perform a follow-up review on the findings to ensure the issues have been appropriately resolved. Once follow-up has been conducted, the DOR Contract Administrator shall submit a report to DOR Audit Services by December 31, 2008. The follow-up report shall address each audit finding/recommendation separately, include an explanation of the specific review procedures conducted by the Contract Administrator, identify any documents reviewed, and indicate whether each finding has been resolved.

**Irvine Unified School District (Irvine USD)
Cooperative Program Contract #24532
Fiscal Year 2004/2005**

Details to Findings

The services provided and expenditures incurred by Irvine USD are supported by appropriate records; and are in compliance with the Contract, 2004/05 Contract Manual (Contract Manual), and applicable State and Federal laws and regulations including the Office of Management and Budget (OMB) Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments (effective June 2004), except for the issues identified below. It is important to note that the findings were caused by Irvine USD's lack of understanding and compliance with the Contract and Contract Manual terms and requirements, which resulted in inadequate contract management practices.

Effective contract management practices include reading the Contract and Contract Manual to identify expenses that can and cannot be charged to the Contract, to ensure understanding of the specific services to be provided under the Contract, and to identify what specific expenses are included in the Contract Budget Narrative. This will assist in properly processing and recording cost reimbursement contracts. Subsequently, expenses charged to the contract should be monitored to determine what costs are charged to the contract, that expenses are charged to the correct line item, and for comparison of budget to actual costs.

Personnel

1. Irvine USD incorrectly billed DOR for estimated retroactive pay increases that had not been paid at the time, which is not in compliance with the Contract Exhibit B.

Irvine USD billed DOR additional estimated contract personnel costs for several contract staff on the June 2005 invoice based on a retroactive pay increase of 4% effective January 2005 through June 2005. However, although Irvine USD approved the retroactive pay increase for employees to be effective January 1, 2005, it did not become effective until the agreement was signed in the next fiscal year; employees did not receive the retroactive pay increase until October 2005. Irvine USD should have submitted a Supplemental Service Invoice to DOR for the FY 2004/2005 period for the actual pay increase costs when they were issued to employees.

We verified that the retroactive amounts paid to the sample contract staff were not billed to DOR in October 2005, so no duplicate funding issue was identified. Further, since the overall difference between the estimated and actual amounts billed to DOR was immaterial, no audit adjustment will be made.

The Contract Exhibit B states the State will pay the Contractor as invoiced monthly in arrears for Contractor's actual cost in providing the services as identified on the Service Budget.

Recommendation

Irvine USD ensure DOR is billed in the fiscal year incurred only for expenses that have been incurred and paid in compliance with the Contract Exhibit B. Where incurred expenses are not paid in full during the contract period, Irvine USD may submit a Supplemental Service Invoice (for the fiscal year incurred) to DOR to request reimbursement for the allowable expenses after the payment is issued. Further, as a preliminary step, it is suggested and appropriate for Irvine USD to estimate these potential costs and take action as appropriate, including requesting a revision or amendment as needed in compliance with the Contract and Contract Manual to ensure funds are available in the contract budget when requesting reimbursement.

2. Irvine USD did not perform the quarterly or annual reconciliation of their budgeted versus actual contract staff personnel costs in accordance with OMB A-87 and report the resulting actual costs to DOR as required by the Contract Exhibit B.

The certified expenditures reported were based on budgeted, not actual salary costs, resulting in a potential under-certification of match of approximately \$7,000 (rounded). The reason for the potential under-certification is that Irvine USD used certified expenditure budget salaries to report certified time throughout the fiscal year, but these preliminary budgeted salaries were based on staff who were initially identified to work on the contract. However, staffing changes were made but the corresponding actual salaries paid to the employee did not. Since the certified expenditures reported by Irvine USD was sufficient to meet the match requirements, no audit adjustment will be made.

While OMB A-87 allows public agencies to submit summaries based on budget throughout the fiscal year, it requires that reconciliations be performed to bring the budgeted amounts to actual costs as described in OMB A-87.

Recommendation

Irvine USD perform a reconciliation of personnel costs, at least on a quarterly basis, in accordance with OMB A-87 and report the actual costs to DOR in compliance with the Contract Exhibit B.

3. Although Irvine USD contract staff completed Personnel Activity Reports (PARs), staff did not prepare them fully in accordance with OMB A-87 and the Contract.
 - a. Some contract staff prepared PARs based on contract budget hours rather than the actual time spent on contract services each day. For example, one contract staff who worked 5.9 hours per day divided her hours most days 4 hours to TPP and 1.9 hours to WIA-Out of School. Another staff who worked 5.9 hours each day divided his hours every day 3.5 hours to TPP and 2.4 hours to WIA-In School. However, contract staff stated in interviews the actual hours spent providing contract services typically fluctuated each day.

Since we were able to determine through interviews and other documentation that the percentage of time used to bill DOR appeared to reasonably reflect the time spent on contract activities, no audit adjustment will be made.

PARs must be prepared in compliance with OMB A-87 to ensure Irvine USD is able to adequately support the applicable personnel costs billed to DOR. Further, it is important that contract staff report the actual daily and total time spent on contract activities for proper monitoring that could identify whether any modifications to the contract should be made.

- b. Contract staff providing services and billed to DOR under two separate contract line item positions did not account for their actual time spent performing the activities/duties under each line item on their PARs. For example, one contract staff person was billed to the TPP Service Manager Lead and to the TPP Service Manager (WHS), but the time reported on the PAR was not split between these two positions and therefore actual time worked in each capacity could not be verified.

Irvine USD believed they were following the PAR guidance provided by DOR that only total hours worked on the contract was mandatory. However, when contract staff do not account for their

time separately for each line item position activity, Irvine USD is unable to adequately support that the time worked and corresponding personnel costs billed to each line item position are based on actual costs.

OMB A-87 requires that PARS must reflect an after-the-fact distribution of the actual activity of each employee. Thus, if contract staff are performing multiple activities (i.e., two separate line item positions), each activity must be accounted for separately to accurately determine the time spent and the corresponding personnel costs for each line item position.

Recommendation

Irvine USD ensure that contract staff complete the PARs in compliance with OMB A-87 and the Contract, including:

- reporting daily and total time based on actual after-the-fact activity.
- accounting for their actual time spent performing the activities/duties applicable to each line item in order to correctly bill DOR for the corresponding personnel costs.

For guidance on how to implement this requirement, refer to the 2008/2009 Contract Manual.

4. Inconsistencies existed between the Contract Budget Narrative time base for contract line item positions and the actual time base worked by some Contract staff. The Job Coach line item positions were typically filled by hourly part-time staff who worked only on TPP program activities but the positions were budgeted based on a percentage of an employee 40 hour FTE/week. Examples included separate Job Coach positions that were budgeted for 23.75%, 48.75%, 50%, and 75% at 40 Hours/FTE. As a result, the staff who worked only on the TPP contract completed PARs reflecting 100% of time to the contract giving the appearance that the budgeted percentage rate was exceeded when in actually it was not.

Irvine USD stated they used the budgeted time base of 40 Hour/FTE as it was required by the DOR staff reviewing the budget. However, when inconsistencies exist between the budgeted and actual time base, it would be difficult for the Contractor to effectively monitor the time allocation to ensure compliance with Contract Exhibit B.

Recommendation

Irvine USD, in consultation with the DOR Contract Administrator, consider

modifying the contract narrative to reflect the most appropriate time base, either percentage of time or number of hours, taking into account the expected actual employee time base of contract staff identified for each line item position.

Operating Expenses

5. Irvine USD incorrectly billed DOR for unallowable Mileage and Travel operating expenses.

- a. The Mileage line item included parking permits for Irvine Valley College used by job coaches, which were not included in the Contract Budget Narrative. Due to the immaterial amount, an audit adjustment will not be made. Irvine USD has since modified the Contract Budget Narrative to include this expense.

The approved Contract Budget Narrative only included mileage expense for local job development, job coaching, other project related activities, and IATP staff trips throughout the community. Irvine USD did not submit a contract amendment to DOR in regards to the addition of parking permits as required by Contract Exhibit B and the Contract Manual.

- b. The Travel line item included unallowable travel expenses incurred by a non-contract staff person and travel costs that exceeded the State employee rates.
 - Meal costs were billed to the contract for a USD Irvine employee who was not funded by the contract even though the approved Contract Travel line item specified it was for travel costs for TPP program staff. The TPP Program Manager stated that because the Bridges contract travel funds were depleted, she received verbal approval from Collaborative Services to bill the employee's meal costs to the TPP contract.

Audit Services contacted Collaborative Services regarding the approval and they submitted an e-mail response stating the Bridges Contract Administrator at the time no longer works at DOR and they could not recall this specific request. However, Collaborative Services stated verbal approval may have been given to bill this expense since they believed billing either contract would have been appropriate and acceptable since the Bridges services were required to be built on existing WAI and TPP programs. However, no supporting documentation of this

verbal approval was maintained by either Irvine USD nor Collaborative Services; nor was a revision or an amendment to the contract Budget Narrative to include travel costs for non-TPP staff submitted and approved.

The approved Contract Budget narrative states the Travel line item includes travel costs related to the TPP program services for TPP program staff. This line item does not allow for travel expenses to be reimbursed for non-TPP staff. Further, the Contract Exhibit B and Exhibit C state that no oral understanding or agreement not incorporated in the contract is binding on any of the parties, and that any alterations or variations to the contract must be contained in a written contract budget revision or amendment. Thus, verbal approval by DOR to bill for travel costs for non-TPP program staff would not be allowable under the contract terms. However, since both contracts are funded by the Rehabilitation Services Administration Vocational Rehabilitation and moving the amount from one contract to the other contract would result in the same net cost, we are not making an audit adjustment.

- The TPP Program Manager submitted a Travel Expense Claim that included meal costs for both her and another employee. Although the employee submitted a written statement that she would not be submitting a separate Travel Expense Claim, it is not appropriate that these meal costs were included on the Program Manager's Travel Expense Claim.

The Travel Expense Claim is to be prepared and submitted by each employee (claimant) traveling on official business and is used by the organization for reviewing, approving, accounting, and disbursing money for travel expenses. In addition, it is important that each employee complete their own Travel Expense Claim as certain travel reimbursements may be subject to Internal Revenue Service federal income tax withholding.

- Meal costs submitted on the Travel Expense Claim by the TPP Program Manager were incorrectly billed to DOR for costs that exceeded the State maximum reimbursement amounts or were not supported by detailed vendor receipts. Further, no supervisory approval was obtained and no adjustments to

exclude the excess amounts were made during processing by Irvine USD. Due to the immaterial difference, an audit adjustment will not be made. However, it is important to note that proper oversight controls were not in place to ensure that the Travel Expense Claim meal expenses were allowable and payable in compliance with the Contract and Irvine USD Transportation Policy.

Irvine USD stated they incorrectly billed the travel expenses because they were unaware of the rates since this information was not included in the 2004/2005 Contract Manual.

Federal regulations (34 CFR Part 80) requires that accounting records must be supported by proper source documentation and that proper controls are in place. Also, Contract Exhibit D states the Contractor agrees that all travel and per diem paid its employees under this contract shall be at rates not to exceed those amounts paid to the State's employees. Further, Irvine USD/DOR/TPP Transportation Policy requires that employees retain receipts and other records of expense and have them available for audit. Reimbursement can be claimed only for the actual and necessary expenses.

- c. The Monthly Mileage Reports (reports) prepared by contract staff do not sufficiently support the mileage expenses billed to DOR. Specifically, the information indicated in the nature column was inadequate to determine that the purpose was for DOR contract activities. For example, one contract staff noted purposes such as "Student to get fingerprints; student to get birth certificate; student uniform fitted; set up for graduation; student IEP (education plan)." Another contract staff noted several dates identifying the purpose as "lunch/eat with students." The reports did not contain consumer names for which the mileage expense was incurred nor provided a trail to supplemental documentation to support the mileage was incurred for a specific consumer or group of consumers.

Staff stated they are aware that only mileage incurred for DOR consumers is allowable and that the nature of the mileage was specifically for DOR contract services such as orientation and mobility training (e.g., lunch with students) and other employment services (e.g., student to get birth certificate). Irvine USD agreed to update their procedures to adequately support that the mileage

expense was incurred specifically for the contract services and applicable consumers. As such, we are not recommending an audit adjustment.

The Contract states staff mileage expenses will be paid for local job development, and job coaching and other project related activities.

Recommendation

Irvine USD thoroughly review and ensure understanding of the Contract and Contract Manual, including allowable expenses under each line item in accordance with the Contract Budget Narrative, and the policies and procedures for requesting revisions and amendments to the Contract.

Irvine USD ensure that invoices submitted to DOR only include expenses identified in the approved Contract Budget Narrative. If Irvine USD determines the addition of line items/expenses is warranted, it must submit a budget revision and/or amendment to request approval in accordance with the Contract and Contract Manual prior to incurring or billing these expenses.

Irvine USD ensure that appropriate documentation is maintained to support all expenses billed to the Contract, including appropriate travel related receipts. Further, Irvine USD ensure the Travel Expense Claim is completed by each employee and that the claim be appropriately reviewed and approved by a supervisor.

Irvine USD update its procedures to document the reason for the mileage to adequately support that it was incurred for allowable contract services, including documenting the consumers for which the mileage was incurred on the Monthly Mileage Report or alternative document. Further, Irvine USD train staff on the new procedures and monitor the Monthly Mileage Report to ensure compliance with the new procedures.

Contract Service Goals

6. Although Irvine USD and District staff met quarterly to review the consumer listing of the referral, plan, and "26" successful closure data, the listing did not contain the contractor goals data to adequately monitor and track the Service Outcomes/Numbers to be Served in the Contract. As a result, we were unable to determine whether Irvine USD achieved the specific goals identified in the contract for unduplicated number of consumers to be served, employment services and job coaching services.

Without a cumulative consumer listing of the contractor goals achieved, the Contractor and DOR Contract Administrator are unable to track and monitor whether the Contractor is meeting the service outcomes/numbers identified in the Contract.

The Contract Scope of Work specifies the service outcomes/numbers to be served under the Contract

Recommendation

Irvine USD revise its system to adequately track and monitor the service outcomes/number served to ensure that the contract outcomes are achieved in compliance with the Contract. If there are any shortcomings in the Service Outcomes/Numbers to be Served, Irvine USD and the DOR Contract Administrator should review and discuss the reason(s) why and take appropriate action.

Contract Compliance

7. Irvine USD did not comply with the amendment requirements indicated in Exhibit B, Exhibit C, Exhibit D, and the Contract Manual.
 - On September 17, 2004, Irvine USD submitted a letter to the Contracts Office requesting an amendment with a retroactive effective date of September 1, 2004. The request included significant changes to the contract, including adding new services and staff line item positions. The letter also stated "these budget revision changes were sent to the DOR Supervisor of Laguna Hills Office, for approval on September 17, 2004." Irvine USD explained they submitted the amendment request and initiated the changes prior to receiving the formally approved amendment from DGS based on verbal approval received from local and state DOR program staff.
 - On October 20, 2004, the amendment request was processed through Collaborative Services to the Contracts Office with a request for a September 1, 2004 effective date.
 - On November 16, 2004, the draft contract amendment was signed by the DOR Branch Manager. The amendment was submitted to Department of General Services (DGS) with the above stated effective date.
 - On December 8, 2004, the contract amendment was approved by Department of General Services effective September 1, 2004.

Since DGS subsequently approved the amendment with the requested date effective September 1, 2004, no audit adjustments will be made. However, Irvine USD did not submit the contract amendment in compliance with the Contract Exhibit B, Exhibit C, Exhibit D, and the Contract Manual and incurred costs prior to the formal written approval of the amendment by DGS. Without formal written approval of a proposed amendment by DGS, Irvine USD is at risk of incurring costs for expenses that would not be allowable for reimbursement under the Contract.

Recommendation

Irvine USD comply with the Contract and Contract Manual when submitting amendments. Further, Irvine USD must not incur proposed expenses prior to receiving formal written approval from DGS. Refer to the 2008/2009 Contract Manual for specific procedures regarding amendments.